COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1368-02
Bill No.: HB 491
Subject: General Assembly; Public Officers; State Employees; Retirement - State
Type: Original
Date: March 4, 2009

Bill Summary: Allows persons employed by elected officials for members of the General Assembly to use accrued annual leave to extend their service time for retirement options.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	($31,828)	($38,193)	($38,193)
Total Estimated Net Effect on General Revenue Fund	**($31,828)**	**($38,193)**	**($38,193)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Other State Funds	($21,218)	($25,462)	($25,462)
Total Estimated Net Effect on Other State Funds	**($21,218)**	**($25,462)**	**($25,462)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Missouri State Employees' Retirement System (MOSERS)** assume the proposed legislation described in Fiscal Note No. 1368-01N (HB 491) would, if enacted, allow any person employed by an elected official or member of the general assembly whose employment is terminated because the elected official or general assembly member ceases to hold elective office to use his or her unused accumulated annual leave, up to a maximum of 336 hours, to extend the member's creditable service, in order to become eligible for a retirement annuity and/or a lump sum payment. As proposed, the creditable service calculation under this provision cannot exceed two-twelfths of a year of creditable service.

In addition, any person retiring under this provision would also remain eligible for state-sponsored life or medical insurance as provided in Chapter 104, RSMo; and any agency, elected official, or member of the general assembly affected by this provision would be allowed to fill the vacant position using the termination effective date prior to adding any unused accumulated annual leave.

Under current law, upon leaving state employment, a member of the general employee plan may receive one month of credited service for every 168 hours (21 days) of unused sick leave that is reported to the system by an employing agency. This converted service is then taken into account when calculating the member's retirement annuity. Presently, no provisions exist under current law to allow annual leave to also be converted to creditable service.

Any member employed by an elected official or member of the general assembly whose employment is terminated because such elected official or member of the general assembly ceases to hold elective office shall be eligible to use his/her unused vacation leave, up to a maximum of 336 hours to extend service time so that the member may become eligible for a retirement annuity and/or a lump sum payment.

ASSUMPTION (continued)

The following table illustrates the computed increase in the employer contribution rate that would be necessary to fund the proposed benefit on a level cost basis:

Annual Payroll	Present Benefit (% of Payroll)	Proposed Benefit (% of Payroll)	Increase (% of Payroll)	Increase (Contributions)
$45,271,093	12.75%	12.88%	0.13%	$63,655

*Current annual payroll for this group has been projected forward two years at 4%.

Based upon the annual payroll for the affected group projected forward two years at 4% (the long-term assumed annual rate of payroll growth), the increase in total contributions would be approximately $63,655 in the first year after the benefit change

Officials from the **State Auditor's Office** assume the cost of this proposal are unknown as it is unknown how many employees this may effect. They assume that any costs to MOSERS as a result of this proposal will be paid by the state.

Officials from the **Missouri House of Representatives** and **Missouri Senate, State Treasurer's Office** assume there will be no fiscal impact to their agency.

Officials from the **Attorney General's Office** assume there would be a fiscal impact but that the costs are unknown, based upon the number of eligible retirees and their salaries at the time of retirement.

Officials at the **Office of the Secretary of State** (SOS) many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's Office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal not to Secretary of State's office for Administrative Rules is less than $2,500. The Secretary of State's Office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a give year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration - Division of Accounting** assume this proposal would require, for old retirement option only, conversion of unused annual leave to time in

ASSUMPTION (continued)

service, with 168 hours purchasing one month. No work impact on OA/Division of Accounting. Assume employees would choose to use most, if not all accrued annual leave prior to retirement, thus no savings to agencies that would have to pay accumulated annual leave payoff at retirement.

Officials from the **Office of Administrator - Division of Personnel** assume a fiscal impact will not be calculated as it would be difficult to estimate accurately the number of employees who would request conversion of some or all of their annual leave to reach eligibility for retirement. A further complication is that not all employees of elected officials or employees of members of the general assembly have their leave reported in SAM II>

The proposal referenced an entitlement to 1/21 of a month service for each 8 hours of unused annual leave, with a follow-on comment that 168 hours of annual leave equal 1/12 of a year of creditable service. Currently the retirement system allows for calculations based on 168 hours of sick leave for one month of creditable service.

The proposal references that an agency with an employee retiring under these provisions shall be allowed to fill the position using the original termination date determined prior to the addition of unused accumulated annual leave. It is unclear whether the intention is to convert annual leave up front an utilize the original termination date, or to run out the annual leave until such time that the employee reaches retirement eligibility and use the later termination date.

Officials from the **Governor's Office** assume there should be no added cost to their agency as a result of this proposal.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
Cost - Increase in Employer Contributions	($31,828)	($38,193)	($38,193)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($31,828)**	**($38,193)**	**($38,193)**

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
OTHER STATE FUNDS			
Cost - Increase in Employer Contributions	($21,218)	($25,462)	($25,462)
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	**($21,218)**	**($25,462)**	**($25,462)**

FISCAL IMPACT - Local Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill allows any person employed by an elected official or member of the General Assembly whose employment is terminated because the elected official or General Assembly member ceases to hold elective office to use his or her unused accumulated annual leave, up to a maximum of 336 hours, to extend his or her creditable service in order to become eligible for retirement benefits and/or a lump-sum benefit (back drop). The creditable service calculation under this provision cannot exceed two-twelfths of a year of creditable service.

Any person retiring under this provision will remain eligible for state-sponsored life or medical insurance as provided in Chapter 104, RSMo; and any agency, elected official, or member of the General Assembly affected by this provision will be allowed to fill the vacant position using the termination effective date prior to adding any unused accumulated annual leave.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Missouri State Employees' Retirement System
State Auditor's Office
Missouri House of Representatives
Missouri Senate
Attorney General's Office
State Treasurer's Office
Governor's Office
Office of Administration -
    Division of Personnel
    Division of Accounting

Mickey Wilson

Mickey Wilson

Mickey Wilson, CPA
Director
March 4, 2009